LCCS IN ASIA PACIFIC

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CAPA – Centre for Aviation
LCC impact in Asia Pacific 2003-2013

- In the short space of a decade, low cost airlines have transformed the Asia Pacific airline industry.
- This is remarkable because much of the growth has been in international markets – unlike other parts of the world, where it has been domestic, including intra-EU.
- LCCs have been the vehicle for liberalising and transforming Asian aviation:
  - Cross border joint ventures
  - Full service airlines establishing LCC subsidiaries
  - Long haul low cost has become a reality
- BUT – NE Asia has largely missed out.
Indonesia domestic: LCC 63% market share
India domestic market shares

- IndiGo: 20.4%
- Air India: 19.1%
- Jet Airways: 15.6%
- SpiceJet: 14.9%
- GoAir: 14.8%
- Emirates: 5.2%
- JetLite: 3.7%
- Air India Express: 3.6%
- Other: 2.7%
India domestic:
LCC 68% market share
Philippines domestic:
LCC 87% market share
From zero in 2003 today 31% of all Singapore Changi seats are on LCCs.
SE Asia LCC penetration: 58%

LCC Capacity Share (%) of Total Seats: 2001 - 2013*

Proportion of seats Oct-2013
But NE Asia has only 9% penetration.
China domestic:
LCC 7% market share
Cross-Border JVs

Allow:
• de facto 7th freedom operations – and eventually “joining up the dots” = network operations
• Pan-Asia branding
• Efficient use of aircraft and crews

Requires:
• 50%+ local investment
• Quasi-franchise agreement

Jetstar’s X-border JVs
Asia Pacific LCCs have 1300 aircraft on order

<table>
<thead>
<tr>
<th>Airline</th>
<th>Fleet</th>
<th>Orders</th>
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<tbody>
<tr>
<td>Lion Air</td>
<td>92</td>
<td>552</td>
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<tr>
<td>AirAsia</td>
<td>67</td>
<td>348</td>
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<tr>
<td>IndiGo</td>
<td>72</td>
<td>193</td>
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<tr>
<td>Jetstar</td>
<td>73</td>
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<td>Cebu Pacific</td>
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<td>49</td>
</tr>
<tr>
<td>Tiger</td>
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<td>19</td>
</tr>
</tbody>
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Source: CAPA Fleet Database
Longhaul low cost: a powerful force – in Asia Pacific

AirAsia X is the fourth largest foreign airline to operate to Australia
And many of the next generation aircraft are on order by longhaul LCCs

<table>
<thead>
<tr>
<th>Airline</th>
<th>A330-300s and A320-Neos</th>
<th>A350 and B 787s</th>
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</thead>
<tbody>
<tr>
<td>AirAsia X</td>
<td>18</td>
<td>25</td>
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<td>Jetstar</td>
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<tr>
<td>Scoot</td>
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</tbody>
</table>

Source: CAPA Fleet Database
Thankyou
What makes an LCC?

- Culture, attitude, *innovation*
- Deregulation
- Seating density
- Aircraft utilisation
  - *(these 2 alone can reduce legacy costs by 40%)*
- Reduced distribution/marketing costs
- Unbundled pricing
- Pressure on external costs, eg
  - airport charges
  - ground handling